AGRICULTURAL COST SHARE PROGRAMS IN KENTUCKY AND NORTH CAROLINA

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Abstract. Legislative study committees have been appointed to explore the possibility of establishing a state agricultural cost share program in Georgia. The objective of this paper is to describe the programs in Kentucky and North Carolina and identify the features that might serve as models for the Georgia program. North Carolina established an Agriculture Cost Share Program in 1983 and the current funding level is $6.9 million per year. Kentucky established a Soil Erosion and Water Quality Cost Share Program in 1994. This is a much smaller program with a current funding level of $2.7 million per year. Both programs are administered through local soil and water conservation district offices and cost share best management practices (BMPs) at a rate of 75%. BMPs animal waste storage facilities, lagoon closure, riparian buffers, and nutrient management plans. Part of the funds are used for technical support in both programs. A Georgia cost share program should include many of these features including technical and administrative support, a 75% cost share rate, a focus on a limited number of BMPs, and state-wide application.

INTRODUCTION

Georgia agriculture generated $5.2 billion in sales in 1999 and is a critical part of the state's economy (Georgia Agricultural Statistics, 2001). However, agriculture has not experienced the recent growth of urban sectors of the economy; total sales in 1999 were lower than the total of $5.4 billion for the year before. Both years represented a decline from the total of $5.7 billion in 1997. At the same time that Georgia agriculture is facing the lowest prices in a decade for most commodities and the worst drought in recent history, state regulations have been developed requiring the adoption of practices which will impose significant costs on swine producers. Additional regulations for dairy and poultry operations will be finalized in the near future.

All of the regulations are intended to protect Georgia's ground-water and surface-water quality. Depending on the size of the operation, the new regulations require the adoption of BMPs such as comprehensive nutrient management plans, vegetated stream-side buffers, setbacks, lagoon liners and covers, and monitoring wells. Since farmers are "price-takers" and cannot pass on additional costs to consumers, most will have to adsorb the cost of installing these new BMPs, further reducing their limited profit margins. Georgia receives limited federal funds to cost-share with farmers adopting BMPs in priority areas under the Environmental Quality Incentives Program (EQIP). However, these funds are woefully inadequate: in 2000, Georgia received $2.8 million in EQIP funds and had requests from farmers totaling $14 million (Bramblett, 2001).

Other states in the region have developed new regulations for animal waste management as well, but most have a state cost-share program to supplement the federal funds. In the fall of 2000, legislative study committees were established to explore the possibility of creating a state agricultural cost share program in Georgia. The objective of this paper is to describe the programs in Kentucky and North Carolina and identify the features that might serve as models for the Georgia program.

NORTH CAROLINA COST SHARE PROGRAM

In 1983, North Carolina introduced an Agriculture Cost Share Program for Nonpoint Source Pollution Control as a pilot program in 16 counties with nutrient sensitive waters (NC Division of Soil and Water Conservation, 2000). In 1989, it was extended to all counties (Vukina and Pasternak, 1997). The North Carolina Soil and Water Conservation Commission has the statutory responsibility to implement the cost share

program, but the program is delivered through the local Soil and Water Conservation District Boards. Participating farmers receive 75% of predetermined average costs for installing BMPs with the remaining 25% paid by farmers directly or through in-kind contributions such as labor. The maximum payout per year is $75,000 with a cumulative maximum of $150,000 per farm.

The commission allocates cost share funds to local district boards based on annual strategy plans each district must develop. The plan identifies pollution treatment needs and the level of cost sharing and technical assistance monies required to address those needs (North Carolina Register, 1996). The plan is submitted to the commission at the beginning of each fiscal year. Funds may be allocated to each district for cost share payments, incentive payments, technical assistance or administrative assistance. The commission allocates funds to districts based on the levels of pollution problems and available technical assistance identified in the strategy plan. In reviewing applications from landowners for cost share funding, the district boards use the strategy plans to prioritize BMPs in terms of effectiveness for water quality protection and use this to decide who will be funded for BMP installation.

The program provides local districts with matching funds (50%) to hire personnel to plan and install the needed BMPs. Since it's inception, the program has cost shared 118 full and part time district technical positions. Cost sharing is available for nutrient management plans, riparian buffers, lagoon closure, constructed wetlands, stream fencing, and manure stack houses. Cost shared BMPs are subject to random checks by the North Carolina Division of Soil and Water Conservation staff and District personnel. Farmers who fail to maintain their BMPs in proper working order for a specified BMP life span (10 years for most practices) are subject to repaying some or all of the original cost share funds.

The North Carolina cost share program is currently budgeted for $6.9 million in recurring funds. The top 10 most funded practices from 1986 to 1995 are give in Table 1. State funds for the program remain available until expended.

Interestingly, North Carolina has been able to leverage additional federal funds for agricultural BMPs based on the state cost share program. Cost share dollars were used as matching funds in applying for the federal Conservation Reserve Enhancement Program (NC CREP, 2000). This program is used to increase payments for Conservation Reserve Program (CRP) practices which establish stream-side buffers.

Table 1. Ten most funded BMPs in North Carolina agriculture cost share program, 1986-1995 (Vukina and Pasternak, 1997).

BMP	Expenditures (million $)	Total (%)
Cropland conversion to grass	8.1	13
Grassed waterways	7.8	12
Lagoons	6.7	11
Field borders	4.7	8
Water control structure	3.4	5
Conservation tillage	3.1	5
Ponds	2.5	4
Sod based rotation	2.4	4
Cropland conversion to trees	2.1	3
Watering trough or tank	2.1	3

KENTUCKY COST SHARE PROGRAM

In 1994, the Kentucky General Assembly established the Soil Erosion and Water Quality Cost Share Program (Coleman, 1999). Funds first came from an increase in pesticide product registration fees in the amount of $500,000 per year. In 1996, conservation districts were successful in getting an additional $600,000 increase from general funds. In 1998 , the Kentucky Department of Agriculture added $500,000 to bring the total to $2.65 million for 1999.

The program is administered through the state Soil and Water Commission and the local district boards, similar to the arrangement in North Carolina (Kentucky Administrative Regulations, 2000). Any funds allocated to a district for a program year revert to the commission if the district has not allocated the funds within one year. Participating farmers receive 75% of the actual costs. The maximum payout per year is $20,000 for animal waste storage practices and $7,500 for other BMPs per farm.

The cost share practices include animal waste storage facilities, riparian buffers, and erosion control measures (Coleman, 1999). Environmental grants are available for

Table 2. Ten most funded BMPs in Kentucky agriculture cost share program, 1995-2000 (Coleman, 2000).

BMP	Expenditures (million $)	Total (%)
Waste control structures	15.348	84.5
Heavy use protection	0.873	4.8
Rotational grazing systems	0.671	3.7
District environmental grants	0.506	2.8
Animal waste utilization	0.254	1.4
Crop land erosion control	0.099	0.6
Riparian area protection	0.095	0.5
Forest land erosion control	0.084	0.5
Pesticide containment facilities	0.074	0.4
Sinkhole protection	0.047	0.3

districts. Application sign-ups occur during January and February of each year at the local district level. Applications are ranked at the state level based on water quality benefit and animal waste concerns. The ten most funded BMPs are given in Table 2. Nutrient management plans were added to the approved BMPs in 1998 (Thom, 2000).

Only 5% of the funds are used for administrative and technical support. No new personnel have been added at the state level to manage the program and some 8 to 10 full or part-time employees have been added at the local level with the funds. After five years, the program has received between 430 and 940 applications per year and funded between 61 and 337 applications per year (Coleman, 1999). Ninety percent of the funds have gone to animal waste systems.

CONCLUSIONS

As legislative study committees consider establishing an agriculture cost share program for Georgia, it may be helpful to look at the programs in North Carolina and Kentucky. Both programs have many features in common, including administration by the Soil and Water Conservation Commission through local district boards. The program in North Carolina has been in place since 1983 and is well established. It may serve as a long-term goal for the state. The Kentucky program may be a more appropriate model in the short-term.

In my opinion, a Georgia cost share program should have the following features : (1) be administered by the State Soil and Water Conservation Commission through the local district boards, (2) provide funding for additional technical and administrative positions to support the program, (3) a 75% cost share rate with a defined maximum per farm payment, (4) a focus on the most cost-effective BMPs, (5) allow state funds to carry over from year to year until expended, (6) predetermined average costs, and (7) state wide application.

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